FOOD FAIR PROPERTIES, INC. ANNUAL REPORT 1971

COVER

The expanded scope of the Company's activities in real estate development are symbolically depicted on the cover. Explained in greater detail in this report, these activities include: Shopping Centers, Free-Standing Commercial Properties, Office Buildings, Motor Inns, Office and Industrial Parks and Land Development.

Opened in July 1971, Twin City Mall, North Palm Beach, Fla., is the Company's third enclosed, carpeted, air-conditioned regional shopping center. Similar centers are under construction in Tampa and St. Petersburg, Fla.


UPSTAGE
morse

HIGHLIGHTS

	Year ended December 31, 1971	1970	Increase (Decrease)
Total Income	**$23,671,000**	$18,302,000	**29%**
Cash Flow*	**$ 6,159,000**	$ 5,916,000	**4%**
Permanent mortgage amortization paid from cash flow	**$ 3,366,000**	$ 2,968,000	**13%**
Depreciation charged to expense	**$ 4,056,000**	$ 3,511,000	**16%**
Income (Loss) before income taxes:			
Operations exclusive of Gateway	**$ 3,135,000**	$ 2,544,000	
Gateway—Motor Inn and Office Buildings	**(959,000)**	(109,000)	
	$ 2,176,000	$ 2,435,000	**(11%)**
Net Income	**$ 1,517,000**	$ 1,313,000	**16%**
Shopping Centers in full operation	**47**	45	
Free-Standing Commercial Properties in full operation	**41**	34	
Gross leasable area in operation (exclusive of Gateway—Motor Inn and Office Buildings)	**9,400,000 Sq. Ft.**	8,000,000 Sq. Ft.	
Earnings per share**	**17¢**	14¢	
Cash flow per share	**73¢**	70¢	

*Represents net income plus depreciation and deferred income taxes.
**See "Earnings per share" note to Financial Statements.

TO OUR SHAREHOLDERS:

In my first annual message to you as president of Food Fair Properties, I am pleased to report that 1971 was another year of record-setting growth for your Company. For the fifth consecutive year, we are able to report new levels of achievement in every significant phase of our business.

Net income rose 16% to $1.5 million, or 17 cents a share, from $1.3 million, or 14 cents a share, in 1970. Cash flow, total income, rental income and income from shopping center operations were also at record highs.

In shopping center operations, the year was highlighted by the opening of Twin City Mall, North Palm Beach, Fla., a 400,000 square-foot, enclosed, carpeted, climate-controlled regional complex. The first stage of Crosswinds Mall, another planned enclosed mall, in St. Petersburg, Fla., was also completed and placed in operation. Construction continues for another enclosed mall regional center in Florida, Floriland Mall, which is scheduled to open this fall in Tampa. Also under construction and slated for a fall opening is the Fox Hills Shopping Center, Staten Island, N. Y.

At year end, we had in operation 47 shopping centers and 41 free-standing commercial properties. Gross leasable area in operation increased to 9.4 million square feet from 8 million square feet in 1970.

In other developments, we are nearing completion of the Gateway urban renewal project in Newark, N.J. This $59 million investment in the revitalization of downtown Newark has as its major components two high-rise office buildings totalling 1.3 million square feet of leasable area and the 261-room Gateway Downtowner Motor Inn. Although start-up costs for the Gateway development resulted in an operating loss in that venture for the year, we are confident that it will be profitable for the Company and an asset to the city.

While development and operation of shopping centers has been our major business since the Company's start 16 years ago, we have recently diversified into other areas. Today, in addition to being one of the nation's largest publicly-held shopping center developers, we are undertaking development of commercial, office, industrial, residential and motor inn properties. These diverse activities are covered in this report.

As a result of the broadened sphere of our activities, it was felt that a corporate name which would embrace the full spectrum of real estate development, as well as one which conveys our concern for the human and environmental aspects of American land resources would be appropriate.

The name proposed and accepted by the directors which will be submitted for approval to shareholders at the annual meeting May 2 is Amterre Development Inc. Amterre is a coined word synthesizing "America" with the Latin word "terra"—meaning earth or land.

We believe the name is broad and general enough to encompass the scope of our present and future activities.

Building on the experience of the last 16 years, we look forward to recording 1972 as another year of profitable growth.

Sincerely,

Norman M. Kranzdorf
President

April 12, 1972

NET INCOME AT NEW RECORD

Your Company continued its excellent progress in 1971. Net income rose 16% to a record $1.5 million, equal to 17 cents a share, from $1.3 million, or 14 cents a share, in 1970. This was after deducting non-cash charges against income, including depreciation and provision for deferred income taxes, which amounted to $4.6 million.

Total income rose 29% to a record $23.7 million from $18.3 million. In the last 10 years, total income has increased almost 300%, from just over $8 million in 1962.

Total income figures include profit on the sale of real estate and securities for both years, as well as revenues for 1971 from the motor inn and office building operation of the Gateway urban renewal project.

Rental income, including the Gateway office building, was up 20% to a record $20 million from $16.8 million.

CASH FLOW

Cash flow rose 4% to a record $6.2 million, equal to 73 cents a share, from $5.9 million, or 70 cents a share, in 1970. The operating loss from the Gateway project, referred to below, reduced cash flow 12 cents a share.

In the real estate development industry, cash flow is a most significant yardstick in measuring a company's progress. As the combined total of net income, depreciation and deferred income taxes, cash flow represents the funds available to the Company to meet its debt obligations and to help provide for future growth and development.

INCOME FROM OPERATIONS

Income from shopping center operations was up 8% to a record $1.8 million from $1.6 million.

Income before taxes, from all operations exclusive of Gateway, amounted to $3.1 million compared with $2.5 million in 1970.

Start-up costs involved in Gateway resulted in a $959,000 loss in 1971 against a loss of $109,000 the year before. These initial losses for a development of the magnitude of Gateway were anticipated. However, we expect Gateway will be profitable when in full operation.

PERSONNEL CHANGES

At the annual shareholders' meeting last year, Samuel Friedland, who had served as president of your Company since its start in 1955, announced his retirement as president. Norman M. Kranzdorf was elected by the board of directors to succeed Mr. Friedland.

Mr. Kranzdorf, who had served as vice president and general manager since 1965, has also been associated with Properties from its start, serving first as legal counsel and later as assistant secretary.

In organizing the corporate staff for the future, several other executive changes were made during the year. Richard K. Raskin, formerly corporate secretary, and Frederick Weitzman, assistant general manager, were both promoted to vice president. Gerald Decker, formerly assistant secretary, has been promoted to corporate secretary. He continues as corporate counsel. Joel R. Hall, associate counsel, has been named an assistant secretary.

FINANCING

During 1971, previously committed mortgage funds were received in the amount of $59 million in connection with newly constructed properties.

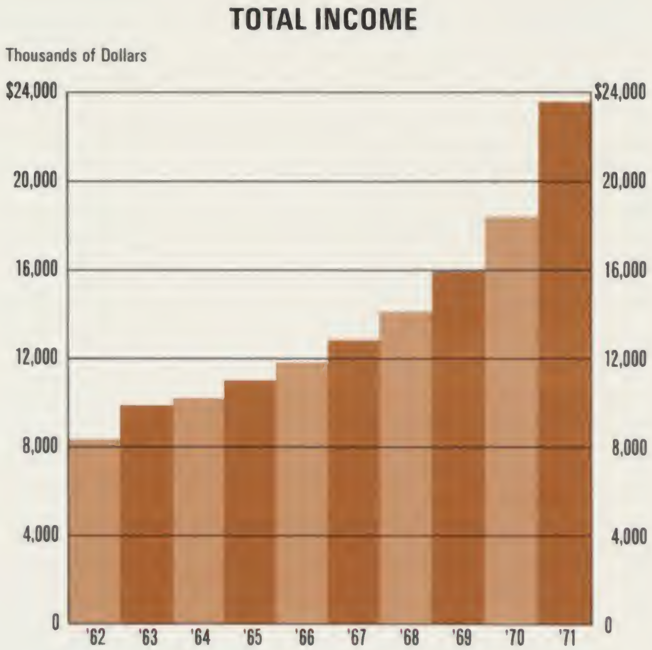
Total mortgages outstanding at the close of 1971 amounted to $136 million compared with $80 million in 1970. Permanent mortgage reductions in 1971 amounted to $3.4 million as against $3 million in 1970. In the 16 years of Properties' operations, permanent mortgage reductions have amounted to almost $23 million, equal to $2.75 a share.

In 1971, our investment in real estate at cost was $219 million, after deduction for accumulated depreciation of $34 million, compared with $167 million the year before.

CAPITALIZATION

At the end of 1971, there were outstanding 20,000 shares of 6% cumulative preferred stock and 8,308,899 shares of common stock. Dividends totalling $120,000 were paid on the preferred stock during the year.

There were approximately 11,000 shareholders on December 31, 1971.


TOTAL INCOME
Thousands of Dollars
$24,000
20,000
16,000
12,000
8,000
4,000
0
'62
'63
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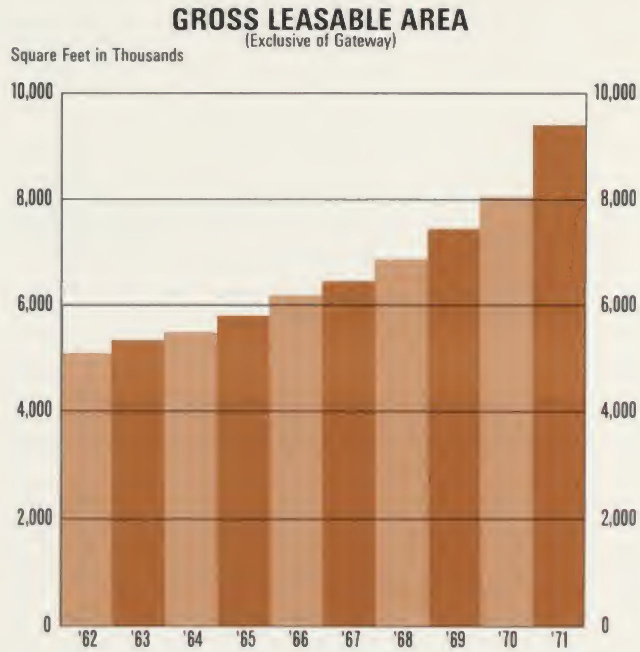
GROSS LEASABLE AREA
(Exclusive of Gateway)
Square Feet in Thousands
10,000
8,000
6,000
4,000
2,000
0
'62
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'64
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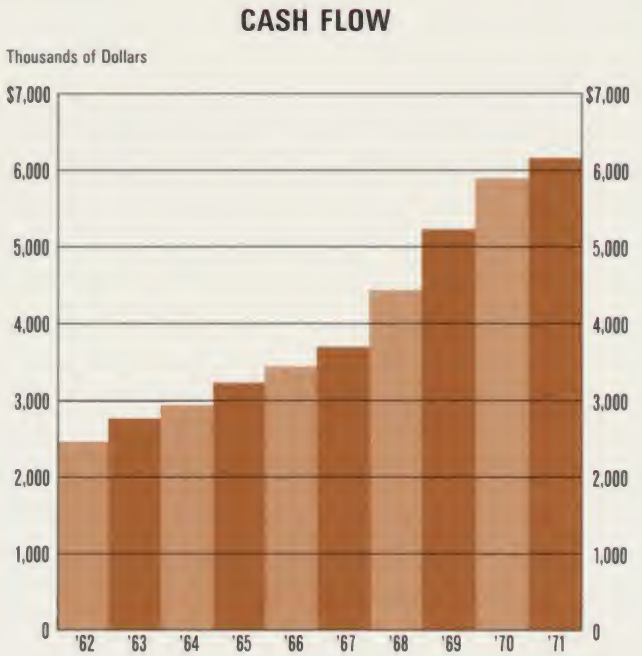
CASH FLOW
Thousands of Dollars
$7,000
6,000
5,000
4,000
3,000
2,000
1,000
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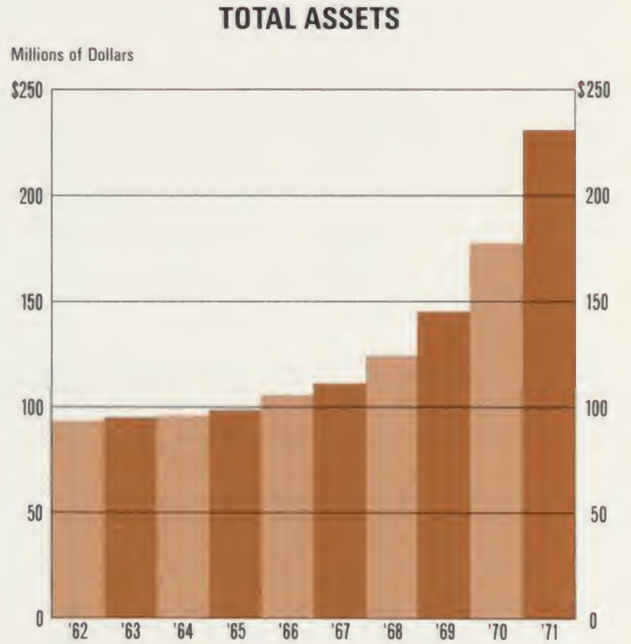

TOTAL ASSETS
Millions of Dollars
$250
200
150
100
50
0
'62
'63
'64
'65
'66
'67
'68
'69
'70
'71

SHOPPING CENTERS

At the close of the year, we had in operation 47 shopping centers, with five additional centers partially open or under construction. Shopping center gross leasable area in operation increased to 7.3 million square feet from 6.7 million square feet in 1970. We are pleased to report that 98% of gross leasable area in our shopping centers is rented.

The major new center to open in 1971 was Twin City Mall, North Palm Beach, Fla. This 400,000-square-foot all-enclosed, carpeted, air-conditioned regional shopping complex includes among its major stores Sears, J. M. Fields, G. C. Murphy and Food Fair.

The first stage of construction of another enclosed regional complex, Crosswinds Mall, St. Petersburg, Fla., which includes a J. M. Fields department store and Pantry Pride supermarket, was also completed. Eventually, Crosswinds Mall will encompass 500,000 square feet of leasable area on a 60-acre site across from the Crossroads Shopping Center, opened by the Company 14 years ago.

A third enclosed center is under construction on a 34-acre site in Tampa, Fla. Slated for opening in the fall of this year, Floriland Mall will have as its anchor stores a 149,000-square-foot Montgomery Ward unit, and a J. M. Fields unit already operating on the site which will be expanded to 90,000 square feet. Some 50 stores will comprise the merchant roster, with parking for 2,000 cars.

Construction was also started for Fox Hills Shopping Center, Staten Island, N.Y., an 80,-000-square-foot strip center which will include a Pantry Pride supermarket, a junior department store and 20 additional retail and service stores.

The second stage of construction of Hollinswood Plaza, Baltimore, Md., is expected to be completed this summer when 80,000 square feet of leasable area will be in operation.

We continue to expand and improve existing centers to strengthen their competitive position. At Lawrence Park Shopping Center, Broomall, Pa., Lit Brothers is completing a 44,000 square foot addition to its full-line department store. Along with additional stores we are building, it will bring gross leasable area in this center, which was first opened in 1957, to 400,000 square feet.

During the year, we announced plans to build our first enclosed mini-mall in suburban Baltimore, Md. Cedonia Mall will provide 150,000 square feet of gross leasable area on a 17-acre site. The 50-store center is planned to serve the everyday shopper in the immediate community. Construction is scheduled to begin this summer.

Floriland Mall, Tampa, Fla. Under Construction

FREE-STANDING COMMERCIAL PROPERTIES

In 1966, your Company began purchasing from Food Fair Stores, Inc. completed free-standing supermarkets and J. M. Fields department stores, or, in some instances purchasing land for construction of such retail units for lease-back to Stores under long-term net leases.

The costs of acquisition and/or construction of such properties have been wholly financed through long-term mortgages, the leases to Stores providing for rentals sufficient to amortize the principal and interest of such mortgages.

In 1971, your Company acquired 800,000 square feet of free-standing properties, consisting of seven supermarkets and six J. M. Fields department stores. This bought total gross leasable area of the 41 free-standing commercial properties to 2.1 million square feet.

It should be pointed out that the addition of 800,000 square feet in 1971 was not typical of previous years when the square footage of commercial properties acquired was substantially less. Delayed construction of properties scheduled to open the previous year and acceleration of the construction of other properties in 1971 were the major factors.

In 1972, it is expected that these free-standing properties will add some 300,000 square feet to your Company's gross leasable area.

Cherry Hill, N.J. . . . Free-standing Commercial Property Opened Nov. 1971

MOTOR INNS

Gateway Downtowner Motor Inn, Newark, N.J.

Plans have been completed for the construction of three high-rise motor inns, two in St. Petersburg and one in Tampa, Fla. These motor inns are planned as joint ventures with a leading motel management organization in the south. Construction is scheduled to begin this year with openings in 1973.

One St. Petersburg unit will be on the Gulf of Mexico, another adjacent to Crosswinds Mall, the enclosed regional shopping center your Company is presently developing. The Tampa motor inn will be an integral part of our Floriland Mall enclosed shopping center presently under construction.

Circular in design, each of these 10-story, 160-room motor inns, catering to both family and business trade, will feature a roof-top restaurant, cocktail lounge, coffee shop, swimming pool and meeting and banquet facilities.

Your Company presently operates the Gateway Downtowner Motor Inn, Newark, N. J., which it built as part of the Gateway urban renewal project. This 10-story, 261-room motor inn, opened in November 1970, features two restaurants, a cocktail lounge, rooftop swimming pool, public meeting rooms and convention facilities.

OFFICE BUILDINGS

Two nearly-completed high-rise office buildings comprising 1.3 million square feet have been built as part of the $59 million Gateway urban renewal development in downtown Newark, N. J., for which your Company is principal sponsor. The buildings are linked directly to the Penn Central Railroad Station by a glass-enclosed pedestrian walk above street-level traffic, scheduled for completion in May.

First tenants in the Gateway I high-rise building began taking occupancy in the spring of 1971. Gateway I, which rises 28 stories and has 500,000-square-feet of leasable area, is expected to be fully rented and occupied by the end of this year.

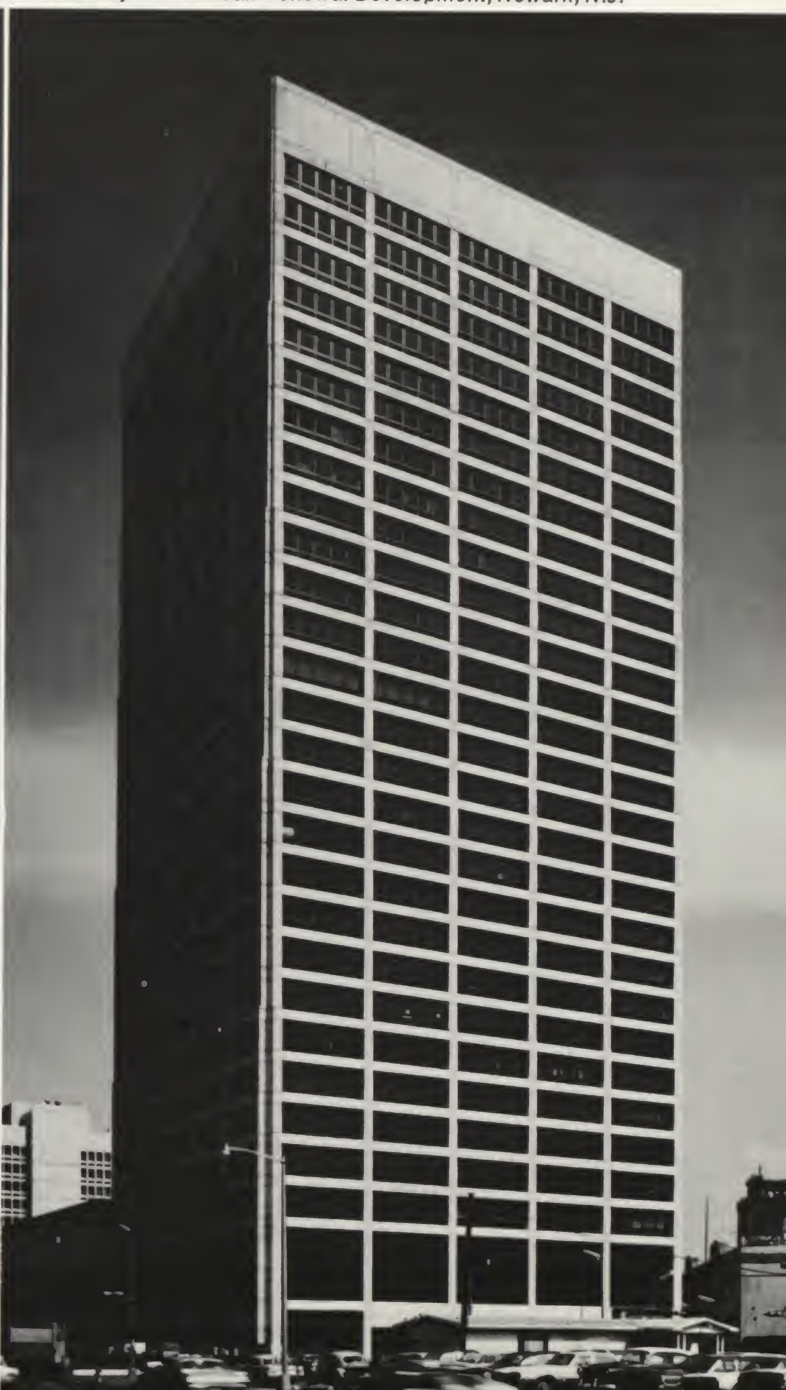
Gateway II, an 18-story, 850,000-square-foot building, has been leased to Western Electric for its regional headquarters. Occupancy of Gateway II began earlier this year.

The two high-rise office buildings, together with the 10-story, 261-room Gateway Downtowner Motor Inn, a three-level parking garage and a shopping arcade, form the major elements of Gateway.

Gateway II Entrance

A Gateway I Tenant

Gateway II Gateway I Urban Renewal Development, Newark, N.J.



OFFICE & INDUSTRIAL PARKS

Your Company is presently developing two office and industrial parks and has plans for three more.

The Gwynedd Valley Office and Industrial Park will occupy a 90-acre site in Montgomeryville, Pa., a suburb north of Philadelphia. The site is being improved with roads, utilities and other basic services, after which parcels will be sold or developed for light industrial and office use.

Site improvement is also scheduled to begin shortly for a similar development on a 40-acre tract in Shrewsbury, N. J. Negotiations have already been completed with a builder for construction of an office building in this industrial park.

Other parks are planned as part of overall land development programs in Logan Square, Gloucester County, N. J., and Westgate Village, Chester County, Pa.

These office and industrial parks offer the advantage of planned, modern facilities in a green blend of suburban surroundings with excellent access to major metropolitan areas. Ample space is available for the design of efficient buildings with excellent offstreet loading and parking areas.

Your Company has previously developed the Lawrence Industrial Park on a 150-acre site in Broomall, Pa., which presently includes 50 diverse companies engaged in light industrial, wholesale and service activities.

Lawrence Industrial Park, Broomall, Pa.

LAND DEVELOPMENT

A number of major land development projects are in various stages of implementation.

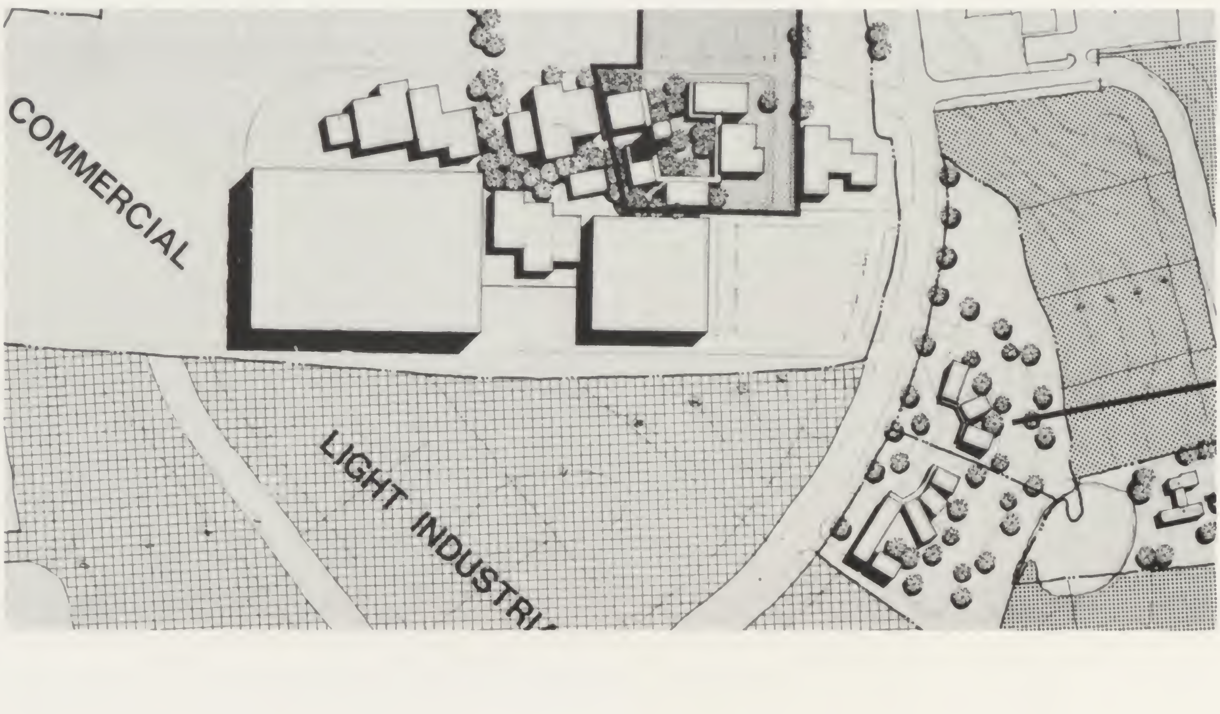
These planned developments include both multi-family and single-home residential, commercial, and industrial facilities, as well as shopping centers. We propose to design the master plan, improve the site and then build or sell parcels of land for others to build.

In Logan Square, Gloucester County, N. J., we have purchased 180 acres of land at the terminus of the soon-to-be-completed bridge linking Chester, Pa. to Bridgeport, N. J. Plans call for the development of a shopping center, individual homes, apartment houses, an industrial park, office building and a motor inn.

Residential and light industrial research facilities are planned for a 220-acre site in Shrewsbury, N. J., which will be developed as a joint venture.

In Pennsylvania, we plan two major land development projects as joint ventures. On separate parcels of land in Montgomeryville, we plan a major regional shopping center, office building and motor inn, in addition to the office and industrial park.

On a 400-acre site in East Whiteland and Tredyffrin Townships, Chester County, a suburban area southwest of Philadelphia, we plan a shopping center, industrial park, apartment houses and single-family homes.



Consolidated **BALANCE SHEET** Food Fair Properties, Inc. and Subsidiaries

December 31, 1971 and 1970

ASSETS	**1971**	1970
Property, at cost (Notes 2, 3 and 8):		
Land	**$ 32,857,331**	$ 29,137,259
Buildings, improvements and equipment	**178,340,529**	138,107,427
Construction in progress	**42,064,341**	29,707,488
	253,262,201	196,952,174
Less accumulated depreciation	**34,268,849**	30,327,644
	218,993,352	166,624,530
Cash	**481,967**	414,463
Mortgages, notes and accounts receivable, net of allowances for doubtful accounts, 1971, $274,382; 1970, $403,533	**4,710,267**	3,853,826
Investments in and advances to joint ventures, at equity	**1,627,951**	524,301
Deferred charges and other assets:		
Unamortized bond discount and expense	**876,050**	1,000,762
Other	**3,572,323**	3,157,716
	$230,261,910	$175,575,598

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	1971	1970
Liabilities:		
Mortgages payable (Notes 3 and 5)	$136,109,609	$ 80,263,151
Construction loans payable (Notes 5 and 9)	33,953,000	38,075,000
Notes payable, banks and others (Notes 4 and 5)	13,997,735	11,951,427
Accounts payable and accrued liabilities	9,186,980	9,706,736
Twenty year, 5½% subordinated debentures (Notes 5 and 9)	6,416,250	6,416,250
Twenty-five year, 6% collateral trust bonds (Note 6)	5,673,600	5,673,600
Deferred income taxes (Note 8)	5,080,989	4,509,892
Tenants' security deposits	606,596	539,540
Deposits on sale of land		603,750
Total liabilities	211,024,759	157,739,346
Commitments and contingencies (Notes 2, 8 and 11)		
Shareholders' equity:		
Capital stock:		
6% cumulative preferred, $100 par; authorized, issued and outstanding 20,000 shares	2,000,000	2,000,000
Common, $.01 par; authorized 12,500,000 shares; issued and outstanding, 1971, 8,308,899 shares; 1970, 8,307,349 shares (Notes 4 and 7)	83,089	83,073
Capital in excess of par	11,512,688	11,509,015
Retained earnings (Note 9)	5,641,374	4,244,164
	19,237,151	17,836,252
	$230,261,910	$175,575,598

Consolidated Statement of **INCOME** Food Fair Properties, Inc. and Subsidiaries

Years ended December 31, 1971 and 1970

	1971	1970
Income:		
Rents	**$20,058,588**	$16,751,062
Motor inn revenue	**1,877,371**	128,967
Interest income	**275,857**	451,846
Profit on sale of real estate	**1,139,403**	345,825
Profit on sale of securities	**210,888**	549,527
Other income	**109,150**	74,312
	23,671,257	18,301,539
Expenses, exclusive of depreciation:		
Operating costs and expenses	**5,780,428**	3,643,771
Real estate taxes	**2,628,438**	2,248,668
Interest	**8,905,178**	6,347,833
Amortization of bond discount and expenses	**124,712**	115,301
	17,438,756	12,355,573
Income before depreciation	**6,232,501**	5,945,966
Depreciation	**4,056,291**	3,511,107
Income before income taxes	**2,176,210**	2,434,859
Income taxes:		
Current	**73,500**	29,872
Deferred (Note 8)	**585,500**	1,092,282
	659,000	1,122,154
Net income	**$ 1,517,210**	$ 1,312,705
Earnings per common share and common equivalent share (Note 10)	**17¢**	14¢

See notes to consolidated financial statements.

LAVENTHOL KREKSTEIN HORWATH & HORWATH
Certified Public Accountants

Food Fair Properties, Inc. and Subsidiaries
Philadelphia, Pa.

We have examined the consolidated balance sheet of Food Fair Properties, Inc. and Subsidiaries as at December 31, 1971 and the related consolidated statements of income, capital in excess of par and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Food Fair Properties, Inc. and Subsidiaries at December 31, 1971 and the consolidated results of their operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Laventhol Krekstein Horwath & Horwath

Philadelphia, Pa.
March 17, 1972

Consolidated Statement of **CHANGES IN FINANCIAL POSITION** Food Fair Properties, Inc. and Subsidiaries

Years ended December 31, 1971 and 1970

	1971	1970
Source of funds:		
Net income for the year	**$ 1,517,210**	$ 1,312,705
Depreciation	**4,056,291**	3,511,107
Deferred income taxes	**585,500**	1,092,282
Funds provided from operations	**6,159,001**	5,916,094
Cost of real estate and securities sold	**2,014,181**	1,158,563
Proceeds from:		
Construction loans	**38,132,000**	25,079,000
Mortgages	**58,963,219**	5,020,961
Notes	**6,189,667**	5,085,330
Issuance of common stock	**3,689**	2,202
Decrease in other assets		104,648
Increase in accounts payable and other liabilities		27,891
	111,461,757	42,394,689
Application of funds:		
Reduction of:		
Bonds		208,028
Construction loans	**42,254,000**	1,000,000
Mortgages	**3,365,542**	2,968,192
Notes	**4,143,359**	1,984,291
Acquisition and construction of property and equipment	**58,329,917**	35,720,340
Dividends paid on preferred stock	**120,000**	120,000
Increase in mortgages, notes and accounts receivable	**856,441**	244,707
Decrease in accounts payable and other liabilities	**1,070,890**	
Net increase in other assets	**1,254,104**	
	111,394,253	42,245,558
Increase in cash	**$ 67,504**	$ 149,131

See notes to consolidated financial statements.

Consolidated Statement of **CAPITAL IN EXCESS OF PAR** Food Fair Properties, Inc. and Subsidiaries

Years ended December 31, 1971 and 1970

	1971	1970
Balance, beginning of year	**$11,509,015**	$11,506,822
Excess of proceeds over par of common stock issued upon exercise of options to purchase 1,550 shares in 1971 and 925 shares in 1970	**3,673**	2,193
Balance, end of year	**$11,512,688**	$11,509,015

Consolidated Statement of **RETAINED EARNINGS**

	1971	1970
Balance, beginning of year	**$4,244,164**	$3,051,459
Add net income for the year	**1,517,210**	1,312,705
	5,761,374	4,364,164
Less cash dividends paid on preferred stock	**120,000**	120,000
Balance, end of year (Note 9)	**$5,641,374**	$4,244,164

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Food Fair Properties, Inc. and Subsidiaries

Year Ended December 31, 1971

1. Principles of consolidation: The consolidated financial statements include the accounts of the Company and all subsidiaries. All significant intercompany balances and transactions have been eliminated.

2. Construction in progress: This amount represents expenditures for construction of shopping centers and urban renewal projects, the total cost of which, when completed, will approximate $67,000,000.

3. Mortgages payable: Substantially all of the properties are pledged as collateral for the mortgages payable. Amortization requirements of mortgage debt at December 31, 1971 are as follows: 1972, $4,903,526; 1973, $5,836,330; 1974, $12,053,951; 1975, $4,729,629; 1976, $5,048,032; after 1976, $103,538,141.

4. Notes payable, banks and other: At December 31, 1971, $8,795,452 of notes payable are due after one year. Notes payable, banks and other, includes notes of $907,-500 which are convertible into common stock at $9.06 per share to June 30, 1984.

5. Twenty year 5½% subordinated debentures: These debentures, due September 15, 1975, are stated net of bonds reacquired and held in treasury (1971, $851,000; 1970, $967,000) and are subject to redemption through sinking fund provisions. The Company is required to redeem annually the lesser of $150,000 principal amount of debentures, or 10% of consolidated net income for the next preceding year, after deduction for dividends on the 6% preferred stock. The bonds reacquired and held in treasury may be used to satisfy sinking fund requirements, which in 1972 will approximate $140,000. These debentures are subordinated to unsecured bank and construction loans.

Debentures of $294,000 reacquired and held in treasury, are pledged as collateral for the Company's performance under mortgage and loan agreements.

6. Twenty-five year 6% collateral trust bonds: These bonds, due June 15, 1984, are stated net of bonds reacquired and held in treasury (1971, $135,400; 1970, $346,-400). A joint and several mortgage on certain shopping centers is pledged as collateral for these bonds.

Semi-annual sinking fund payments are required as follows: through June 15, 1976, $121,000; thereafter, through June 15, 1981, $162,000; thereafter, through December, 1983, $204,000.

Bonds reacquired and held in treasury may be used to satisfy sinking fund requirements.

7. Stock options: Under the Company's stock option plan for officers and other key employees, options may be granted at not less than 100% of the market price on the date of grant. At December 31, 1971, options for 53,925 shares were outstanding, exercisable at prices ranging from $2.38 to $8.13 per share. Options may be exercised in annual cumulative installments of 25% commencing one year after grant and expire five years after grant. During 1971, options for 12,850 shares were granted; options for 1,550 shares were exercised and options for 3,975 shares were cancelled.

8. Federal income tax: Federal income tax returns for the years 1958 through 1964 have been examined by the Internal Revenue Service. Adjustments have been proposed which would decrease charges for depreciation and treat as deductions certain carrying charges on real estate under construction which the Company had capitalized. The changes, if upheld, would have no adverse effect on current or prior years' operations, but would decrease operating losses that would otherwise be available as carryovers to open years. Management of the Company and its counsel do not agree with Internal Revenue Service proposals, even though there would be no income tax currently payable. However, since no deficiencies were asserted, there is no basis for appeal beyond the District Staff level.

The Company will not change its tax reporting methods as a result of the proposed adjustments and will contest the changes if, at a future date, the above issues result in additional tax assessments.

Net operating loss carryovers available to the Company and its subsidiaries at December 31, 1971 aggregated approximately $4,150,000, substantially all of which expires in 1975 and 1976.

It is not possible to determine the effect, if any, the proposed adjustments by the Internal Revenue Service for the years 1958 through 1964, if applied and upheld, will have on these net operating loss carryovers.

Depreciation has been provided primarily on the straight-line method for financial reporting purposes. As to certain properties, depreciation has been provided under the declining-balance method for income tax purposes. In addition, certain costs (such as interest, rents, property taxes) relating to properties under construction and development have been recorded as property and deferred costs of projects for financial reporting purposes. Deferred income taxes relate to these differences.

The deferred Federal income tax provision for the year ended December 31, 1971 has been reduced by available investment tax credits aggregating approximately $245,-000, accounted for by the flow-through method.

9. Restrictions to retained earnings: Under the terms of certain loan agreements, the Company may not purchase or redeem any shares of its capital stock, and payment of cash dividends on common stock is restricted to cumulative retained earnings subsequent to December 31, 1968 of $3,479,656.

10. Earnings per common share and common equivalent share: Per share earnings are based on the weighted average number of common and common equivalent shares outstanding during each year.

11. Commitments and contingencies: Under various lease commitments, the earliest of which expires in 1974, the Company is obligated to pay annual rentals totalling $233,089 plus real estate taxes and other expenses.

The Company is contingently liable as guarantor on a mortgage payable of $1,200,000 by a joint venture in which the Company is a participant.

An investigation of the Company and other shopping center developers is pending by the Federal Trade Commission. The Commission is investigating the validity of certain restrictive covenants in leases to determine if they are in violation of the anti-trust laws. The investigation is in its preliminary stages and it is unknown at this time whether any complaint will be issued by the Commission.

The Company is subject to various claims and lawsuits which arise in the ordinary course of business. In the opinion of management, the disposition of such claims and lawsuits will not have a significant effect on the financial position of the Company.

ANNUAL MEETING

The annual meeting of shareholders of Food Fair Properties, Inc. will be held on Tuesday, May 2, 1972, at 2 P.M., Local Time, at the Bellevue Stratford Hotel, Broad and Walnut Streets, Philadelphia, Pa. Shareholders are cordially invited to attend.

A formal notice of the meeting, a proxy and a proxy statement are enclosed. Shareholders unable to attend are urged to date, sign and return the proxy promptly so as to be assured of representation at the meeting.

The Company continues to expand and improve existing shopping centers to strengthen their competitive position. An example is the nearly-completed 44,000 square-foot addition to the Lit Brothers Department Store in the Lawrence Park Shopping Center, Broomall, Pa., shown at left. Together with additional stores we are building, gross leasable area in the regional center, first opened in 1957, will be increased to 400,000 square feet.

Cover illustrations by Rhea Dennis

OFFICERS & DIRECTORS

NORMAN M. KRANZDORF
President and Director

RICHARD K. RASKIN
Vice President

FREDERICK WEITZMAN
Vice President

SAMUEL STEIN
Treasurer

GERALD DECKER
Secretary

D. FREDERICK BARTON
Director

GEORGE FRIEDLAND
Director

JACK FRIEDLAND
Director

SAMUEL FRIEDLAND
Director

HESS KLINE
Director

WILLIAM G. KURTZ, JR.
Director

MYER B. MARCUS
Director

ARTHUR S. ROSENBERG
Director

LOUIS STEIN
Director and Chairman
Finance Committee

LEOBE CHAIMSON
Assistant Secretary

JOEL R. HALL
Assistant Secretary

EXECUTIVE OFFICES
3175 John F. Kennedy Boulevard
Philadelphia, Pa. 19101

GENERAL COUNSEL
Stein & Rosen
1370 Avenue of the Americas
New York, N.Y. 10019

TRANSFER AGENT
Registrar & Transfer Co.
34 Exchange Place
Jersey City, N.J. 07302

CERTIFIED PUBLIC ACCOUNTANTS
Laventhol Krekstein Horwath & Horwath
1845 Walnut Street
Philadelphia, Pa. 19103

FOOD FAIR PROPERTIES, INC.
as of December 31, 1971

Shopping Centers in Full Operation

CONNECTICUT
Bayview Shopping Center, Bridgeport
Boston Avenue Shopping Center, Stratford
Colony Shopping Plaza, Wallingford

FLORIDA
Crosswinds Mall, St. Petersburg
Crossroads Shopping Center, St. Petersburg
Edgewater Shopping Center, Orlando
Merritt Island Shopping Center, Merritt Island, Cocoa
Norwood Shopping Center, Miami
163rd Street Shopping Center, Miami
Philips Highway Plaza, Jacksonville
Twin City Mall, North Palm Beach
Ward Plaza, Bradenton
West Hollywood Shopping Plaza, West Hollywood

GEORGIA
Cobb County Center, Atlanta

MARYLAND
Arbutus Shopping Plaza, Arbutus
Brooklyn Park Plaza, Brooklyn Park
Eudowood Plaza, Towson
Liberty Court Shopping Center, Randallstown
Reisterstown Road Plaza, Baltimore

NEW JERSEY
Colonia Shopping Center, Colonia
Ellisburg Circle Shopping Center, Cherry Hill
Fields Plaza, Parsippany—Troy Hills
Livingston Plaza, New Brunswick
Middletown Shopping Center, Middletown
Millside Shopping Center, Delran
Route 18 Shopping Center, Old Bridge
Stratford Shopping Center, Stratford

NEW YORK
Baldwin Shopping Center, Baldwin, Long Island
Dayton Shopping Plaza, Rockaway Beach
Gates Plaza, Rochester
Pearl River Shopping Center, Pearl River

PENNSYLVANIA
Abington Shopping Center, Abington
Blue Bell Shopping Center, Philadelphia
Cloisters Shopping Center, Ephrata
Colonial Park Plaza, Harrisburg
Feasterville Plaza, Feasterville
Flourtown Shopping Center, Flourtown
Keyser-Oak Plaza, Scranton
Lancaster Shopping Center, Lancaster
Lawrence Park Shopping Center, Broomall
North Mall, York
Parkway Shopping Center, Allentown
Pennypack Circle Shopping Center, Philadelphia
Shillington Shopping Center, Shillington
Stefko Boulevard Shopping Center, Bethlehem

VIRGINIA
Walnut Hill Plaza, Petersburg

WISCONSIN
Beloit Plaza, Beloit

Shopping Centers Partially Open or Under Construction

FLORIDA
Fields Plaza, Leesburg
Floriland Mall, Tampa

MARYLAND
Hollinswood Plaza, Baltimore

NEW YORK
Fox Hills Shopping Center, Staten Island

PENNSYLVANIA
Stadium Shopping Center, Scranton

Free-Standing Commercial Properties

CALIFORNIA
Los Angeles

FLORIDA
Fort Lauderdale
Fort Walton Beach
Jacksonville
Key Biscayne
Largo
Leesburg
Miami (2)
Miami Beach
North Miami Beach
North Palm Beach
Ocala
Riviera Beach
Tampa (2)
Winter Haven

MARYLAND
Baltimore

NEW JERSEY
Bloomfield
Cherry Hill
Delran
Elizabeth
Englewood
Highland Park
Hoboken
Lyndhurst
New Brunswick
West Deptford

NEW YORK
Latham
Niskayuna
Staten Island

PENNSYLVANIA
Darby
East Norriton
Easton
Lancaster
Philadelphia (4)
Strafford

VIRGINIA
Norfolk

Motor Inn

NEW JERSEY
Gateway Downtowner, Newark

Office Buildings Partially Open and Under Construction

NEW JERSEY
Gateway I, Newark
Gateway II, Newark

Office and Industrial Parks

PENNSYLVANIA
Gwynedd Valley, Montgomeryville
Lawrence Park, Broomall

Land Development Projects

NEW JERSEY
Delran
Logan Square, Gloucester County
Shrewsbury

PENNSYLVANIA
Montgomeryville
Westgate Village, Chester County